



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 26, 2002

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley  
Auditor-Controller

SUBJECT: **2000-2001 DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CALIFORNIA DEPARTMENT OF EDUCATION CHILD CARE GRANT AUDIT**

The Department of Children and Family Services (DCFS) requested the annual audit of their Child Care Grant agreement with the State of California Department of Education (CDE). Simpson & Simpson, CPA's, conducted the audit under our Master Agreement Program for as-needed contract audits.

The County of Los Angeles uses CDE funds in the Children's Protective Services Program (CPSP), which provides child care services to children who are subject to abuse, neglect or exploitation. Simpson & Simpson verified that DCFS maintained accounting and management systems and related internal controls to ensure that CPSP funds were controlled and expended in compliance with applicable federal and State laws, regulations and contract provisions. A copy of that report is enclosed.

If you have any questions, please contact me.

JTM:JK:TK

Enclosure

c: David E. Janssen, Chief Administrative Officer  
Public Information Office  
Audit Committee  
Executive Officer, Board of Supervisors  
**Department of Children and Family Services**  
Anita Bock, Director  
Paul Freedlund, Bureau Chief, Bureau of Children and Family Services  
Genevra Gilden, Chief, Quality Assurance Division  
**Department of Public Social Services**  
Bryce Yokomizo, Director  
Gail Dershewitz, Director, Management Information and Evaluation Section

*AUDIT REPORT ON*  
*COUNTY OF LOS ANGELES*  
*DEPARTMENT OF CHILDREN AND FAMILY SERVICES*  
*CHILD DEVELOPMENT PROGRAMS*  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2001*

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*Simpson & Simpson*

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**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

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**INDEPENDENT AUDITOR'S REPORT**

Ms. Anita Bock, Director  
Department of Children and Family Services  
425 Shatto Place  
Los Angeles, CA 90020

We have audited the financial statements of the child development programs, Contract Numbers GAPP 0030 and FAPP 0029, of the County of Los Angeles Department of Children and Family Services (DCFS) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of DCFS child development programs' management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the expenditures of DCFS child development programs' subrecipients, which represent 31% of the expenditures of Contract Number FAPP 0029. The financial statements of the subrecipients, except for Equiposie, Inc., were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 0029, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, pursuant to the Welfare Reform Act of 1971, Los Angeles County is required to support the expansion of child care services by maintaining its fiscal year 1970-71 expenditures level of \$170,019. We determined that DCFS did meet this requirement.

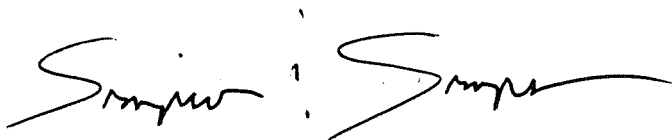
As explained in Note 4, we have not audited DCFS child development programs' claimed other related child care costs and administrative costs. Therefore, we do not express an opinion on the claimed other related child care costs and administrative costs.

As mentioned in Note 7, we have not received the audited financial statements of Equipoise, Inc. and were not able to audit the expenditures claimed by Equipoise, Inc.; therefore, we do not express an opinion on the expenditures claimed by Equipoise, Inc.

In our opinion, except for DCFS child development programs' claimed other related child care costs and administrative costs and the expenditures claimed by Equipoise, Inc. as noted above, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of DCFS child development programs, Contract Numbers GAPP 0030 and FAPP 0029, as of June 30, 2001, and the results of its operations and the changes in its fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2002 on our consideration of DCFS child development programs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained on pages 13 through 22 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Audit Guide for Audits of Child Development and Nutrition and Adult Basic Education Programs* issued by the California Department of Education and are not a required part of the financial statements of DCFS child development programs. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of DCFS child development programs and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Simpson & Simpson', with a stylized flourish at the end.

Los Angeles, California  
January 25, 2002

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**CHILD DEVELOPMENT PROGRAMS**

BALANCE SHEET  
June 30, 2001

	<u>GAPP 0030</u>	<u>FAPP 0029</u>
<b>Assets:</b>		
Grants Receivable	\$ <u>282,973</u>	\$ <u>407,028</u>
<b>Total Assets</b>	<u><u>282,973</u></u>	<u><u>407,028</u></u>
<b>Liabilities:</b>		
Accounts Payable	\$ <u>282,973</u>	\$ <u>407,028</u>
<b>Total Liabilities</b>	<u>282,973</u>	<u>407,028</u>
<b>Fund Balance:</b>		
Restricted	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ <u>282,973</u>	\$ <u>407,028</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**CHILD DEVELOPMENT PROGRAMS**

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2001

	<u>GAPP 0030</u>	<u>FAPP 0029</u>
<b>Revenues:</b>		
Government Grants	\$ 1,548,063	\$ 11,047,228
Funds Used to Satisfy Maintenance of Effort Requirement (Note 3)	170,019	-
Parent Fees	-	2,744
Interest Income	<u>-</u>	<u>1,418</u>
<b>Total Revenues</b>	<u>1,718,082</u>	<u>11,051,390</u>
<b>Expenditures:</b>		
Direct Payments to Providers (Note 2)	1,283,511	9,089,149
Direct Payments to Satisfy Maintenance of Effort Requirement (Note 3)	170,019	-
Other Related Child Care Costs (Note 4)	36,003	635,922
Administrative Costs (Note 4)	<u>228,549</u>	<u>1,326,319</u>
<b>Total Expenditures</b>	<u>1,718,082</u>	<u>11,051,390</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-
Fund balance at July 1, 2000	<u>-</u>	<u>-</u>
Fund balance at June 30, 2001	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information**

The financial statements present only the child development programs, Contract Numbers GAPP 0030 and FAPP 0029, of the County of Los Angeles Department of Children and Family Services (DCFS).

Pursuant to Chapter 324, Item 6100-196-001, of the State Budget Act of 1983, the California Department of Education (CDE) made funds available to Los Angeles County to provide child day care services for families qualifying under the State's Child Development Guidelines. The maximum reimbursable amount (MRA) in the Standard Agreement between CDE and DCFS for the fiscal year 2000/01 is \$1,807,271 for Project No. 19-Y196-00-23186-0/Contract No. GAPP 0030 and \$12,115,254 for Project No. 19-Y196-00-13694-0/Contract No. FAPP 0029. DCFS uses CDE funds in the Children's Protective Services Program. The Children's Protective Services Program provides child care services to children who are subject to abuse, neglect or exploitation.

During the fiscal year 2000/01, a net total of \$1,453,530 for Project No. 19-Y196-00-23186-0/Contract No. GAPP 0030, and \$9,089,149 for Project No. 19-Y196-00-13694-0/Contract No. FAPP 0029, in direct provider payments were made by DCFS. The child care services were provided by individual child care providers or by private day care centers. (Also see Note 7.)

**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to DCFS, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources of various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose.

The following governmental fund type is used for the child development programs:

Special Revenue Fund – Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.



**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

The financial statements of DCFS child development programs have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant.

**NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS**

Direct provider payments are reported in the contract year the services are authorized and provided, in accordance with CDE's "Funding Terms and Conditions for Child Development Programs." Direct provider payments to eligible families/child care providers represent vendor payments made to individual providers and private day care centers for child care services. Under the child care payment system, invoices can be submitted by child care providers up to 60 days from the original due date.

**Project No. 19-Y196-00-23186-0/Contract GAPP 0030**

On June 30, 2001, "Fiscal Report For Alternative Payment or Family Child Care Home Programs" (i.e., the claim) for Project No. 19-Y196-00-23186-0 (State Funded Project), DCFS reported direct provider payments of \$1,453,530. However, included in this amount was \$170,019 related to payments made by the County of Los Angeles, Department of Children and Family Services (DCFS) to meet its Maintenance of Effort (MOE). Therefore, direct provider payments are \$1,283,511 (\$1,453,530 less \$170,019), which did not exceed the MRA of \$1,807,271.

**Project No. 19-Y196-00-13694-0/Contract FAPP 0029**

On June 30, 2001, "Fiscal Report for CCD Block Grant AP Programs" for Project No. 19-Y196-00-13694-0 (Federal Funded Project), DCFS reported direct provider payments of \$9,089,149. The Maximum Reimbursable Amount (MRA) for the project is \$12,115,254; therefore, the direct provider payments did not exceed the MRA.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**NOTE 3 - MAINTENANCE OF EFFORT**

Pursuant to the Welfare Reform Act of 1971, Los Angeles County's "Maintenance of Effort" (MOE) amount is \$170,019. During our audit, we verified that DCFS satisfied its MOE requirement.

**NOTE 4 - ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS**

Other Related Child Care Costs (ORCCC) consist of the costs of providing direct services which include the position responsible for recruitment, site inspection, license verification, eligibility determination, review and supervision of placement and the costs related to these positions.

The California Department of Social Services (CDSS) audits DCFS' administrative costs and ORCCC. Our examination of the claimed DCFS' administrative costs and ORCCC was limited to a verification of the cost allocation percentages which were used as a basis for determining DCFS' administrative costs and ORCCC allocable to the Child Care Program for each quarter. Because the total DCFS' administrative costs and ORCCC are unaudited, we do not express an opinion on them.

**Project No. 19-Y196-00-23186-0/Contract GAPP 0030**

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed \$429,521, 25% of the net reimbursable cost of \$1,718,082, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-23186-0, DCFS incurred a total of \$264,552 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as \$264,552.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed \$257,712, 15% of the net reimbursable cost of \$1,718,082, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-23186-0, DCFS incurred a total of \$228,549 in administrative costs associated with the Child Care Program. DCFS also incurred \$3,145 in audit fees for the performance of the fiscal year 2000/01 program audit. We have included these costs within the total administrative costs shown in the fiscal year 2000/01 statements. Therefore, DCFS can claim as much as \$228,549 for administrative costs.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS  
(Continued)**

**Project No. 19-Y196-00-13694-0**

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed \$2,762,848, 25% of the net reimbursable cost of \$11,051,390, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-13694-0, DCFS incurred a total of \$1,962,241 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as \$1,962,241.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed \$1,657,709 15% of the net reimbursable cost of \$11,051,390, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-13694-0, DCFS incurred a total of \$1,326,319 in administrative costs associated with the Child Care Program. DCFS also incurred \$15,355 in audit fees for the performance of the fiscal year 2000/01 program audit. We have included these costs within the total administrative costs shown in the fiscal year 2000/01 statements. Therefore, DCFS can claim as much as \$1,326,319 for administrative costs.

**NOTE 5 - DAYS OF OPERATION ADJUSTMENT FACTOR**

The Days of Operation Adjustment Factor was computed by dividing the Actual Days of Operation (ADO) by the Minimum Days of Operation (MDO) per the Audit Guide. The Audit Guide states that if the Operation Adjustment Factor is 98% or more, 100% is used.

**NOTE 6 - OPERATIONAL MRA ADJUSTED FOR DAYS OF OPERATION**

The Operational MRA Adjusted for Days of Operation was computed by multiplying the Operational MRA by the Days of Operation Adjustment Factor (i.e., 100%) as specified in the Audit Guide.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**NOTE 7 – SUBRECIPIENTS’ EXPENDITURES**

The expenditures claimed by the subrecipients for Contract Number FAPP 0029 are summarized below.

Child Care Information Service	\$ 117,112
Child Care Resource Center, Inc.	577,581
Child & Family Services	241,497
Children’s Home Society	486,810
City of Norwalk	2,632
Community & Family Services	10,306
Connections for Children	141,501
Crystal Stairs, Inc.	783,042
Drew Child Development Corporation	26,626
International Institute of Los Angeles	60,040
Mexican American Foundation	171,338
Options	119,504
Pomona Unified School District	265,531
Subtotal (27% of Total Expenditures)	<u>3,003,520</u>
Equipoise, Inc. (No Audited Financial Statements)	<u>428,285</u>
Total (31% of Total Expenditures)	<u><u>\$ 3,431,805</u></u>

The audited financial statements of Equipoise, Inc. (Agency) was not available due to the Agency being defunded by the California Department of Education. The expenditures of the other subrecipients amounted to \$3,003,520, which represent 27% of the total expenditures of Contract Number FAPP 0029, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 0029, is based solely on the reports of the other auditors.

**NOTE 8 – CONTINGENCIES**

DCFS child development programs receive state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under terms of the grants, it is believed that any repayment resulting from disallowances will not be material.

## **SUPPLEMENTARY INFORMATION**

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**GENERAL INFORMATION**

**Full Official Name of Agency**

Los Angeles County Department of Children and Family Services

**Project Numbers**

19-Y196-00-23186-0 (GAPP 0030)

19-Y196-00-13694-0 (FAPP 0029)

**Type of Agency**

County Welfare Department

**Address of Agency**

425 Shatto Place

Los Angeles, CA 90020

**Name and Address of Chief Executive Officer**

Anita Bock, Director

425 Shatto Place

Los Angeles, CA 90020

(213) 351-5600

**Name and Address of Accountant**

Ed Jewik, Finance Officer

425 Shatto Place

Los Angeles, CA 90020

(213) 351-5560

**Period Covered by the Examination**

July 1, 2000 to June 30, 2001 (19-Y196-00-23186-0)/GAPP 0030

July 1, 2000 to June 30, 2001 (19-Y196-00-13694-0)/FAPP 0029

**Number of Days of Operation of Agency**

251

**Scheduled Hours of Operation Each Day**

Opening Time: 8:00 a.m.

Closing Time: 5:00 p.m.

Hours Open: 9

See Independent Auditor's Report.

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**  
**CHILD DEVELOPMENT PROGRAMS**

**2000-2001 CDD CONTRACT SUMMARY**

Agency Name: County of Los Angeles Department of Children and Family Services  
Auditor: Simpson and Simpson, CPAs  
Fiscal Year Ended: June 30, 2001

<u>Worksheet</u>	<u>Project Name</u>	<u>Vendor No.</u>	<u>Contract No.</u>	<u>MRA</u>	<u>Due From State</u>	<u>% of MRA</u>
AP(1)	General – Alternative Payment	19-Y-196-00-23186-0	GAPP 0030	\$ 1,807,271	\$282,973	15.6575%
AP(2)	Federal Block Grant	19-Y-196-00-13694-0	FAPP 0029	<u>12,115,254</u>	<u>407,028</u>	3.3596%
				<u>\$13,922,525</u>	<u>\$690,001</u>	

See Independent Auditor's Report.

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**  
**CHILD DEVELOPMENT PROGRAMS**

**SCHEDULE OF EXPENDITURES BY STATE CATEGORIES**  
For the Fiscal Year Ended June 30, 2001

<u>State Categories</u>	<u>GAPP 0030</u>	<u>FAPP 0029</u>
Direct Payments to Providers	\$ 1,453,530	\$ 9,089,149
Certified Salaries	-	23,878
Classified Salaries	192,024	1,204,193
Employee Benefits	56,415	342,488
Books and Supplies	-	29,768
Services and Other Operating Expenses	16,113	301,430
New Equipment	-	17,808
Depreciation	-	329
Indirect Cost	-	42,347
	<hr/>	<hr/>
Total Expenditures by State Categories	\$ <u>1,718,082</u>	\$ <u>11,051,390</u>

See Independent Auditor's Report.



Agency Name: County of Los Angeles -  
Department of Children and Family Services  
Vendor Number: 19-Y196-00-23186-0  
Program Name: Alternative Payment Program  
Contract Number: GAPP 0030  
Worksheet Type: Alternative Payment

California Department of Education  
Audits and Investigations Division  
Audited Final Reimbursement Calculation  
Fiscal Year Ended June 30, 2001

1. Total Costs (includes Start-Up)	\$1,718,082
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Payment to Meet Maintenance of Effort Requirement	\$170,019
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$170,019
4. Net Costs (Line 1 - Line 2 - Line 3)	\$1,548,063
5. Administrative Costs:	
a. Actual Costs	\$228,549
b. Maximum Allowable (Line 4 * 15%)	\$232,209
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$1,548,063
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	251
b. Minimum Days of Operation Per Contract	249
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.80%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$1,807,271
b. Operational MRA (Line 9a - Line 8c)	\$1,807,271
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$1,807,271
d. Total Adjusted MRA (Line 9c + Line 8c)	\$1,807,271
10. Support Service Earnings	
a. Provider Payments	\$1,283,511
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$264,552
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$264,552
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$1,548,063
11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$1,548,063
12. Parent Fees and Interest	
a. Parent Fees	\$0
b. Interest	\$0

See Independent Auditor's Report.

Agency Name: County of Los Angeles -  
Department of Children and Family Services  
Vendor Number: 19-Y196-00-23186-0  
Program Name: Alternative Payment Program  
Contract Number: GAPP 0030  
Worksheet Type: Alternative Payment

California Department of Education  
Audits and Investigations Division  
Audited Final Reimbursement Calculation  
Fiscal Year Ended June 30, 2001

c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$0
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$1,548,063
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$1,548,063
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$1,265,090
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$282,973
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 14 + Line 15)]	\$0
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$0
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$0

See Independent Auditor's Report.

Agency Name: County of Los Angeles -  
Department of Children and Family Services  
Vendor Number: 19-Y196-00-13694-0  
Program Name: Alternative Payment Program  
Contract Number: FAPP 0029  
Worksheet Type: Alternative Payment

California Department of Education  
Audits and Investigations Division  
Audited Final Reimbursement Calculation  
Fiscal Year Ended June 30, 2001

1. Total Costs (includes Start-Up)	\$11,051,390
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Other (Specify)	\$0
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$0
4. Net Costs (Line 1 - Line 2 - Line 3)	\$11,051,390
5. Administrative Costs:	
a. Actual Costs	\$1,326,319
b. Maximum Allowable (Line 4 * 15%)	\$1,657,709
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$11,051,390
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	251
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.40%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$12,115,254
b. Operational MRA (Line 9a - Line 8c)	\$12,115,254
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$12,115,254
d. Total Adjusted MRA (Line 9c + Line 8c)	\$12,115,254
10. Support Service Earnings	
a. Provider Payments	\$9,089,149
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$1,962,241
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$1,962,241
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$11,051,390
11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$11,051,390
12. Parent Fees and Interest	
a. Parent Fees	\$2,774
b. Interest	\$1,418

See Independent Auditor's Report.

Agency Name: County of Los Angeles -  
Department of Children and Family Services  
Vendor Number: 19-Y196-00-13694-0  
Program Name: Alternative Payment Program  
Contract Number: FAPP 0029  
Worksheet Type: Alternative Payment

California Department of Education  
Audits and Investigations Division  
Audited Final Reimbursement Calculation  
Fiscal Year Ended June 30, 2001

c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$4,192
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$11,047,198
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$11,047,198
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$10,640,170
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$407,028
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 14 + Line 15)]	\$0
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$0
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$0

See Independent Auditor's Report.

***COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS***

**SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES  
UTILIZING CONTRACT FUNDS**

For the Fiscal Year Ended June 30, 2001

No repair or renovation expenditures were incurred by DCFS child development programs in the fiscal year ended June 30, 2001.

See Independent Auditor's Report.

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**  
**CHILD DEVELOPMENT PROGRAMS**

**SCHEDULE OF EQUIPMENT EXPENDITURES**  
**UTILIZING CONTRACT FUNDS**

For the Fiscal Year Ended June 30, 2001

<u>Program</u>	<u>Contract No</u>	Expenditures Under \$7,500 Unit Cost		Expenditures Over \$7,500 Unit Cost with CDD Approval		Expenditures Over \$7,500 Unit Cost without CDD Approval	
		<u>Cost</u>	<u>Item</u>	<u>Cost</u>	<u>Item</u>	<u>Cost</u>	<u>Item</u>
Federal Block Grant	FAPP 0029	\$ -	-	\$ -	-	\$ -	-
General- Alternative Payment	GAPP 0030	-	-	-	-	-	-
		<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

See Independent Auditor's Report.

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**  
**CHILD DEVELOPMENT PROGRAMS**

**SCHEDULE OF ADMINISTRATIVE COSTS – STATE CONTRACTS**  
For the Fiscal Year Ended June 30, 2001

	<u>GAPP 0030</u>	<u>FAPP 0029</u>
Certified Salaries	\$ -	\$ 8,079
Classified Salaries	165,892	896,074
Employee Benefits	48,737	259,337
Books and Supplies	-	7,528
Services and Other Operating Expenses	13,920	123,497
New Equipment	-	5,695
Depreciation	-	71
Indirect Cost	<u>-</u>	<u>26,038</u>
 Total Administrative Costs	 \$ <u>228,549</u>	 \$ <u>1,326,319</u>

See Independent Auditor's Report.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2001**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal:			
Department of Health and Human Services			
Passed through State of California			
Alternative Payment CCDBG	93.575	FAPP 0029	<u>\$11,051,390</u>
Total Federal Expenditures			<u>\$11,051,390</u>

<u>Nonfederal Grantor/Pass-Through Grantor/Program</u>	<u>Grantor Identifying Number</u>	<u>Nonfederal Expenditures</u>
State of California:		
Child Development Services		
Alternative Payment - General	GAPP 0030	<u>\$1,548,063</u>
Total State Expenditures		<u>\$1,548,063</u>

Notes to the Schedule of Expenditures of Federal and Nonfederal Awards  
For the Fiscal Year Ended June 30, 2001

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of Expenditures of Federal and Nonfederal Awards includes the federal and state grant activity of the County of Los Angeles Department of Children and Family Services (DCFS) child development programs, Contract Nos. GAPP 0030 and FAPP 0029. The reporting entity of DCFS child development programs is described in Note 1 of DCFS child development programs' financial statements.



**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2001**

**A. SUMMARY OF AUDIT RESULTS**

- |                                                                                                                       |             |
|-----------------------------------------------------------------------------------------------------------------------|-------------|
| 1. Type of auditor's report issued:                                                                                   | Qualified   |
| 2. Internal control over financial reporting:                                                                         |             |
| a. Material weakness(es) identified?                                                                                  | None        |
| b. Reportable condition(s) identified that are not considered to be material weakness(es)?                            | None        |
| 3. Noncompliance material to financial statements noted?                                                              | None        |
| 4. Internal control over major programs:                                                                              |             |
| a. Material weakness(es) identified?                                                                                  | None        |
| b. Reportable condition(s) identified that are not considered to be material weakness(es)?                            | None        |
| 5. Type of auditor's report issued on compliance for major programs:                                                  | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No          |
| 7. Identification of major programs:                                                                                  |             |

<u>CFDA No.</u>	<u>Program Title</u>
93.575	HHS- Community Development Block Grant

- |                                                                             |           |
|-----------------------------------------------------------------------------|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$331,542 |
| 9. Auditee qualified as low-risk auditee?                                   | Yes       |

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

***COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CHILD DEVELOPMENT PROGRAMS***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

None

**D. STATUS OF FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL  
AWARD PROGRAMS**

There were no findings in the prior year.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Ms. Anita Bock, Director  
Department of Children and Family Services  
425 Shatto Place  
Los Angeles, CA 90020

We have audited the financial statements of the child development programs (Contract Nos. GAPP 0030 and FAPP 0029) of the County of Los Angeles Department of Children and Family Services (DCFS) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

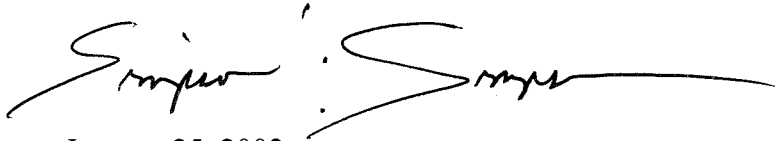
As part of obtaining reasonable assurance about whether the above mentioned DCFS child development programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DCFS child development programs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course

of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the California Department of Education and federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Simpson & Simpson', with a long horizontal flourish extending to the right.

January 25, 2002  
Los Angeles, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Ms. Anita Bock, Director  
Department of Children and Family Services  
425 Shatto Place  
Los Angeles, CA 90020

Compliance

We have audited the compliance of the child development programs (Contract Nos. GAPP 0030 and FAPP 0029) of the County of Los Angeles Department of Children and Family Services (DCFS) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2001. Major federal program of DCFS child development programs is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of DCFS child development programs' management. Our responsibility is to express an opinion on DCFS child development programs' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCFS child development programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on DCFS child development programs' compliance with those requirements.

In our opinion, DCFS child development programs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of DCFS child development programs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal program. In planning and performing our audit, we considered DCFS child development programs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of DCFS child development programs as of and for the year ended June 30, 2001, and have issued our report thereon dated January 25, 2002. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the management, the California Department of Education and federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Simpson & Simpson', with a stylized flourish at the end.

January 25, 2002  
Los Angeles, California